



Washington, D.C. 20505

**DIRECTORATE OF INTELLIGENCE**

1 May 1984

Japan: 1984 Mid-Term Operations Estimate [redacted]

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During the coming months the Japan Defense Agency (JDA) will begin drafting its major military planning document for 1986-90, the 1984 Mid-Term Operations Estimate (MTOE). Although the plan is supposed to be only a rough guide for budgeting and setting targets for major weapons purchases, Japanese officials have tended to treat previous MTOEs as inviolable. [redacted]

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The MTOE Cycle

The MTOE outlines all major projects to be accomplished over a five-year period and establishes the equipment acquisition programs needed to realize them. It was designed to provide a system for updating force objectives and adjusting funding requirements to meet the goals of the National Defense Program Outline (NDPO) established in 1976. The NDPO's objectives include developing the Self-Defense Forces' ability to cope with limited aggression, to maintain readiness during peacetime, and to adapt to radical changes in the security environment requiring rapid expansion in Japan's defense structure. [redacted]

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This memorandum was prepared by [redacted] Japan Branch, Northeast Asia Division, Office of East Asian Analysis. Information available as of 1 May was used in its preparation. Comments and queries are welcome and may be directed to the Chief, Japan Branch, Northeast Asia Division, OEA, [redacted]

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The process of preparing a new MTOE normally lasts from one to one-and-a-half years:

- The Director General of the JDA initiates the process by issuing his instructions (which, in practice, become the estimate's outline) to the internal bureaus of the JDA and the staff offices of the three Self-Defense Forces (Air, Ground, and Maritime).
- The JDA presents a schedule for drafting the MTOE to the National Defense Council for approval.
- The JDA, in conjunction with the SDF Staff Offices, draws up the MTOE.
- The draft MTOE is submitted to the National Defense Council, where it receives pro forma approval.
- The new MTOE is implemented on 1 April to coincide with the first fiscal year of the plan. Despite its stated five-year term, the MTOE is in fact a rolling plan, with a two-year overlap between cycles. For example, the current MTOE covers the 1983-87 period, and the one formulated in 1984 will cover 1986-90.

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JDA officials told our Embassy in early March that Director General Kurihara would issue formal instructions for the next MTOE in June or July, but according to recent Japanese press reports, he will announce these critical initial guidelines for the 1984 planning document this month.

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#### The 1984 MTOE

The most important goal of the new MTOE probably will be to make up procurement shortfalls in the previous plan. According to JDA officials, the Defense Agency is having trouble meeting current goals because of funding constraints imposed by the 1 percent of GNP limit on defense spending. The negative impact of this cap on funding was compounded by the slowdown in GNP increases during the recent recession. By the end of JFY 1984, only about 27 percent of the major weapons systems listed in the MTOE will have been ordered, far short of the JDA's second-year goal of 40 percent. There have been major shortfalls in the acquisition of F-15 fighters, P-3C antisubmarine patrol planes, and Type 74 tanks. These shortfalls are particularly significant because the earlier MTOE sought to acquire most of the major weapons systems set forth in the National Defense Program Outline of 1976.

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We believe that the new MTOE will focus on the Maritime Self-Defense Force (MSDF). According to Embassy sources, the MSDF is expected to seek to strengthen its ability to defend sealanes out 1,000 nautical miles by improving antisubmarine warfare and sealane air defense capabilities. Comments by JDA officials to [ ] suggest the MSDF will probably propose that:

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- All destroyers be equipped with surface-to-surface missiles and weapons systems to provide close-in air defense against missiles.
- All submarines be equipped with surface-to-surface missiles.
- The number of P-3C antisubmarine reconnaissance aircraft be increased. [ ]

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[ ] the Air Self-Defense Force (ASDF) probably will have secondary priority, with improvements principally in air defense capabilities.

- The ASDF may call for stepped up formation of F-15 fighter squadrons and proceed with the development of the next-generation fighter.
- The ASDF is almost certain to introduce the US "Patriot" missile as the next-generation surface-to-air missile, replacing the aging Nike-J system.
- The Japanese may consider acquiring an aerial refueling capability by installing tanker conversion kits in some 12 Boeing 707s or DC-8s or possibly by purchasing KC-135s or KC-10s from the United States.
- The ASDF is scheduled to introduce a new Base Air Defense Ground Environment (BADGE) program--an automatic air defense warning and control system--as the centerpiece of an improved air defense network. [ ]

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We expect the Ground Self-Defense Force (GSDF) will receive less emphasis relative to the other services, but the 1984 MTOE will probably call for introduction of new tanks--probably the Type 88 now under development--along with mechanized infantry combat vehicles. This new equipment and other upgrades will be deployed primarily in Hokkaido to mechanize divisions stationed there. [ ]

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Limited Flexibility

The formulation of the 1984 MTOE may coincide with a change in policy on defense spending. The spending cap of 1 percent of GNP has been a significant constraint on objectives of each MTOE. The Japanese may exceed this limit late this year for the first time, however, because of a pay raise the National Personnel Authority is expected to recommend for government employees, which includes the military, in August. Press reports suggest that members of the Liberal Democratic Party are already laying the groundwork to breach the limit. The new MTOE will undoubtedly be affected by the outcome of bureaucratic and political discussions concerning whether to identify a new spending cap or choose an alternate strategy to replace it.

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As a planning document, the estimate is not formally approved by the Diet or issued as an official policy instrument of the JDA. Although this should give it some flexibility, as should the annual review of the MTOE conducted by the National Defense Council, past experience indicates that once the MTOE has been formulated, Tokyo is reluctant to modify it. The government is especially unlikely to respond to requests for increases in procurement of major weapons systems.

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